

Message Text

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ACTION ARA-14

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E.O. 11652: N/A
TAGS: ECON, ELAB, JM
SUBJECT: TRADE UNIONS FLIGHT PROPOSAL TO LIMIT WAGE INCREASES

REFERENCE: KINGSTON 3591

1. SUMMARY: THE DAILY PRESS ON APRIL 27 REPORTED ON PAGE 1 THAT "TRADE UNIONS YESTERDAY EXPRESSED STRONG RESERVATION ABOUT THE INTERNATIONAL MONETARY FUND'S PROPOSAL TO LIMIT WAGE INCREASES UNDER THE AGREEMENT WITH THE INTERNATIONAL MONETARY FUND". THE GOVERNMENT PLANS TO INTRODUCE NEW WAGE GUIDELINES PERMITTING A MAXIMUM 15 PERCENT ANNUAL WAGE INCREASE BEGINNING MAY 1. THE TRADE UNIONS ARE OPPOSING THIS NEW GUIDELINE. END SUMMARY.

2. ACCORDING TO PRESS REPORTS, THE OFFICIAL PLAN CALLS FOR A MAXIMUM 15 PERCENT ANNUAL WAGE INCREASE TO BE GRANTED ON THE BASIS OF AN ENTERPRISE'S TOTAL PAYROLL, "WITH FURTHER EXAMINATION OF PROFITABILITY". THIS QUALIFICATION, AS EXPLAINED BY THE IMF REPRESENTATIVE, MEANS THAT THE CEILING RATE WOULD ONLY BE GRANTED IF THE PROFITABILITY OF THE ENTERPRISE IS SUCH THAT IT
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CAN AFFORD IT. THE PRESS REPORTS ALSO INDICATE THAT THE NEW LABOR MANAGEMENT CONTRACTS WOULD HAVE A DURATION OF AT LEAST TWO YEARS.

3. UNDER THE PROJECTED NEW GUIDELINES, ANY NEW CONTRACTS "WOULD TAKE INTO ACCOUNT THE SIX-MONTH EXTENSION UNDER THE CURRENT GUIDELINES".

4. TO PUT TEETH INTO THE NEW GUIDELINES, AN ECONOMIC STABILIZATION UNIT WILL BE ESTABLISHED UNDER THE MINISTRY OF LABOUR WITH WHICH ALL SETTLEMENTS WOULD BE REGISTERED. THE LABOR RELATIONS AND INDUSTRIAL DISPUTES ACT IS TO BE AMENDED TO PROVIDE FOR THE ESTABLISHMENT OF THE UNIT WITHIN THE MINISTRY AND TO EMPOWER THE MINISTER TO BRING GUIDELINE BREACHES BEFORE THE INDUSTRIAL DISPUTES TRIBUNAL.

5. ACCORDING TO THE DAILY NEWS, THE TRADE UNIONS ARE IN DISAGREEMENT WITH THE NEW GUIDELINES GOVERNING WAGE INCREASES AND "ARE SEEKING A FREEZE OF HIGHER-STRATA SALARIES AND A CLEAR DEFINITION AS TO THE AREA OF SPREAD OF THE 15 PERCENT INCREASE", I.E. HOW THE AVERAGE 15 PERCENT INCREASE IS TO BE DISTRIBUTED AMONG DIFFERENT CATEGORIES OF EMPLOYEES.

6. THE TRADE UNIONS ARE ALSO REPORTED TO BE OF THE OPINION THAT "IN THE EVENT THE NEW GUIDELINES ARE PUT INTO EFFECT, CONTRACTS NOW IN THE PROCESS OF NEGOTIATION AND CURRENT CLAIMS SHOULD BE EXCLUDED FROM THE NEW STRINGENT GUIDELINES".

7. COMMENTS:

A. PRESS REPORTS DESCRIBING THE NEW WAGE GUIDELINES
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MUST BE TREATED AS UNOFFICIAL AT THIS TIME. THE IMF REPRESENTATIVE WOULD NOT CONFIRM THEM, AND THE 15 PERCENT FIGURES SHOULD THEREFORE BE TREATED WITH SKEPTICISM. THE REPRESENTATIVE INDICATED THAT THE WHOLE SUBJECT OF WAGE GUIDELINES WAS STILL UNDER ACTIVE NEGOTIATION, AND HINTED THAT THE NEWSPAPER REPORT WAS PREMATURE.

B. A CEILING OF 15 PERCENT ON THE ANNUAL RATE OF WAGE INCREASES, EVEN WITH THE QUALIFICATION NOTED IN PARAGRAPH 2, STRIKES US AS BEING ON THE HIGH SIDE. IF THE LIVING STANDARD IS TO BE CUT SIGNIFICANTLY, AS THE BOJ ADMITTED IT MUST BE, BY PERMITTING A PRICE RISE IN EXCESS OF THE INCREASE IN MONEY INCOMES (SEE REFTTEL), THEN WE WOULD NEED A PRICE INCREASE WELL ABOVE 15 PERCENT, WHICH MAY WELL CAUSE THE ECONOMY TO SPIRAL OUT OF CONTROL. MOREOVER, A PRICE INCREASE OF THAT MAGNITUDE WOULD REQUIRE A FURTHER SUBSTANTIAL DEVALUATION JUST TO KEEP UP WITH THE NEW PRICE INCREASE, LET ALONE CORRECTING FOR PAST MALADJUSTMENTS.

C. THERE IS NO QUESTION WITH RESPECT TO THE PREVALENCE OF STRONG UNION OPPOSITION TO ANY ATTEMPT BY THE GOVERNMENT TO SET A LIMIT ON THE WAGE INCREASES THAT UNIONS CAN NEGOTIATE,

EVEN ONE AS GENEROURS AS 15 PERCENT A YEAR.
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